

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00
FRB-01 INR-10 NSAE-00 ICA-20 TRSE-00 XMB-04
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TO SECSTATE WASHDC 8583
INFO AMEMBASSY PARIS
COMICEDEFOR KEFLAVIK IC

UNCLAS REYKJVIK 0961

USOECD

E.O. 11652: N/A
TAGS: ECON, IC
SUBJECT: PRICE INCREASES AND INFLATION KEEP ROLLING ON

1. SUCCESSION OF PRICE INCREASES AFFECTING WIDE VARIETY
OF GOODS AND SERVICES CONTINUES WITHOUT RESPITE. ALMOST
EVERY DAY BRINGS NEWS OF ADDITIONAL INCREASES APPROVED BY
ICELAND'S PRICE CONTROL INSTITUTE, AUTHORITY FOR GRANTING
PRICE CHANGES IN ICELAND'S RATHER TIGHTLY-REGULATED ECONOMY.

2. OVER LAST FOUR MONTHS, FOOD PRICES HAVE INCLUDED MEATS
(OVER 15 PERCENT), FARM PRODUCE (12-23 PERCENT), BREADS
(13 PERCENT), FISH (13 PERCENT), AND BUTTER (168 PERCENT).
PRICES FOR TYPICAL GOODS ARE NOW EGGS AT \$3.15/KILO, MILK
\$0.60/LITER, SOUP MEAT \$4.25/KILO, AND BUTTER AT \$9.25/KILO.
WITHOUT GOVERNMENT CONTROLS, THESE PRICES WOULD BE
EVEN HIGHER. BUS FARES, AIR FARES, AND MAIL RATES (AT
27 CENTS PER LETTER), HAVE ALL GONE UP 10-17 PER CENT.
GASOLINE IS UP 22 PER CENT T JUST OVER \$2/GALLON, AND
PARKING FINES, METERED PARKING, CAR INSURANCE, AND
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PERSONAL SERVICES HAVE ALSO INCREASED SHARPLY. IN
REYKJAVIK, AUGUST 1 WILL USHER IN RISES IN ELECTRICITY
(OVER 8 PER CENT), GEOTHERMAL HEATING (25 PERCENT), AND
DAY CARE CENTERS (15 PER CENT). ICELANDERS HAVE ALSO BEEN
HIT HARD BY INCREASES ON WINE (18 PER CENT), LIQUOR
(22 PERCENT), AND TOBACCO (20 PER CENT) WITH SCOTCH NOW
AT \$28/BOTTLE AND CIGARETTES JUST UNDER \$2/PACK.

3. MORE REQUESTS FOR PRICE HIKES ARE PENDING WITH PRICE
CONTROL INSTITUTE. ALTHOUGH INFLATION RATE HAS APPARENTLY
SLOWED DURING SECOND QUARTER OF YEAR, CENTRAL BANK
CURRENTLY PROJECTING RATE FOR 1978 OF ABOUT 40 PER CENT.
BLAKE

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